

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTON COUNTY WATER DISTRICT NO. 1)	
)	
<hr style="width:40%; margin-left:0"/>)	CASE NO.
AN INVESTIGATION INTO THE MONTHLY)	92-482
SURCHARGE ON SUB-DISTRICT A CUSTOMERS)	

O R D E R

On May 14, 1992, the Commission authorized Kenton County Water District No. 1 ("Kenton District"), inter alia, to assess a monthly surcharge of \$24.34 to its customers in its newly created Sub-District A.¹ The surcharge was part of a plan to finance the construction of a water main to serve Sub-District A. The Commission placed no limitations or restrictions on the collection or use of surcharge proceeds.

Several considerations have lead us to re-examine our earlier decision. First, Kenton District has made significant changes to its original financing. Instead of issuing \$800,000 of five-year bond anticipation notes and then refinancing those notes with revenue bonds maturing over a 20-year period, Kenton District has

¹ Case No. 92-179, Application of Kenton County Water District No. 1 For A Certificate of Public Convenience and Necessity For Sub-District A; Financing and Rates.

chosen to immediately issue revenue bonds maturing over a 25-year period.²

Second, the Commission is concerned about the absence of any limitations or restrictions on the collection and use of surcharge proceeds. Surcharges are normally assessed only for extraordinary purposes and for limited periods. As currently authorized, the Kenton District's surcharge may be assessed indefinitely and its proceeds used for any purpose. The utility is not required to report to the Commission on the amount of collected proceeds or the proceeds' use.

Finally, the surcharge appears contrary to the notion of uniform system-wide rates. The customers of Sub-District A, although receiving the same service as Kenton District's other customers, must pay a higher rate for that service.

The Commission, on its own motion and pursuant to KRS 278.260, HEREBY ORDERS that:

1. Kenton District shall appear on January 28, 1993, at 10:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, and show cause why:

a. limitations on the time period in which the monthly surcharge on Sub-District A customers may be collected and the

² Case No. 92-400, Application of Kenton County Water District No. 1 to Issue Revenue Bonds In the Approximate Amount of \$10,995,000, Series B 1992 For the Purpose of Defeating In Advance of Maturity the 1988 Series B Outstanding Bonds of the District; and to Combine the Revenue Bonds Authorized to Fund Certain Extension Projects in Connection With a DLG Grant as Authorized in Case No. 92-179, Thus Saving Expense.

amount which may be collected through that surcharge should not be imposed as a condition to the continued collection of the surcharge.

b. Kenton District should not be required to submit periodic written reports to the Commission on the amount of the surcharge collected and the use of the surcharge's proceeds.

c. restrictions on the accounting and use of the surcharge's proceeds should not be imposed as a condition to the continued collection of the surcharge.

d. the level of surcharge should not be reduced to reflect the actual debt service costs associated with financing the construction approved in Case No. 92-179.

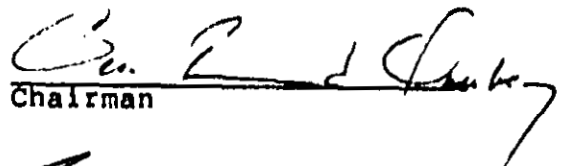
e. the surcharge should not be terminated and the rates charged to the customers of Sub-District A for water service be the same as those charged to Kenton District's other customers.

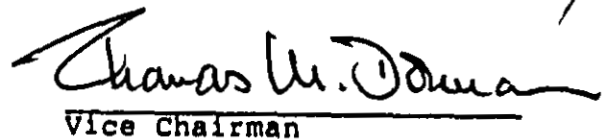
2. Kenton District shall submit to the Commission in writing, no later than December 15, 1992, its position on the issues set forth in Paragraph 1 and its reasoning for each position.

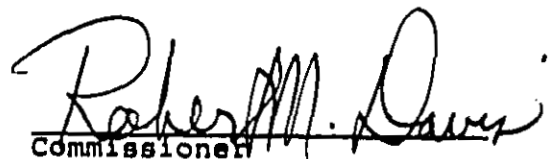
3. The records of Case Nos. 92-179 and 92-400 are incorporated by reference into the record of this proceeding.

Done at Frankfort, Kentucky, this 24th day of November, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director